



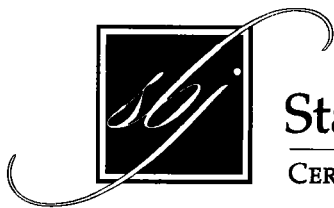
Volunteers of America
Utah

**INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS**

JUNE 30, 2006 AND 2005

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Stayner Bates & Jensen P.C.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Volunteers of America - Utah

We have audited the accompanying statements of financial position of Volunteers of America – Utah (a nonprofit organization) as of June 30, 2006 and 2005 and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Volunteers of America – Utah as of June 30, 2006 and 2005 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2006, on our consideration of Volunteers of America – Utah's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of Volunteers of America – Utah taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Stayner, Bates & Jensen, P.C.

Stayner, Bates & Jensen, P.C.
Salt Lake City, Utah
September 22, 2006

VOLUNTEERS OF AMERICA - UTAH
STATEMENTS OF FINANCIAL POSITION

ASSETS

	June 30,	
	<u>2006</u>	<u>2005</u>
CURRENT ASSETS		
Cash and cash equivalents (Note 2)	\$ 671,166	\$ 636,521
Unconditional promises to give net of allowance, current portion (Notes 2 & 3)	30,087	25,875
Grants receivable (Note 4)	403,752	425,129
Other receivables	29,410	17,303
Inventory (Note 2)	14,089	8,854
Prepaid expenses	27,635	21,207
Total Current Assets	<u>1,176,139</u>	<u>1,134,889</u>
PROPERTY AND EQUIPMENT (Note 2)		
Land, buildings and improvements	2,430,114	2,392,501
Furnishings and equipment	564,414	481,369
Accumulated depreciation	<u>(891,488)</u>	<u>(716,651)</u>
Total Property and Equipment	<u>2,103,040</u>	<u>2,157,219</u>
OTHER ASSETS		
Unconditional promises to give, net (Notes 2 & 3)	24,601	27,995
Endowment investments (Note 5)	40,186	36,805
Deposits	<u>5,722</u>	<u>5,722</u>
Total Other Assets	<u>70,509</u>	<u>70,522</u>
TOTAL ASSETS	<u><u>\$ 3,349,688</u></u>	<u><u>\$ 3,362,630</u></u>

The accompanying notes are an integral part of these financial statements.

VOLUNTEERS OF AMERICA - UTAH
STATEMENTS OF FINANCIAL POSITION (Continued)

LIABILITIES AND NET ASSETS

	June 30,	
	<u>2006</u>	<u>2005</u>
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 279,989	\$ 299,688
Payables to a related party (Note 6)	22,736	54,336
Deferred revenue, current portion	-	25,875
Notes payable, current portion (Note 7)	<u>29,619</u>	<u>25,309</u>
Total Current Liabilities	<u>332,344</u>	<u>405,208</u>
LONG-TERM LIABILITIES		
Deferred revenue	-	27,995
Notes payable (Note 7)	<u>278,641</u>	<u>308,260</u>
Total Long-Term Liabilities	<u>278,641</u>	<u>336,255</u>
TOTAL LIABILITIES	<u>610,985</u>	<u>741,463</u>
NET ASSETS		
Unrestricted	2,612,127	2,292,537
Temporarily restricted (Notes 2 and 8)	<u>126,576</u>	<u>328,630</u>
Total Net Assets	<u>2,738,703</u>	<u>2,621,167</u>
Total Liabilities and Net Assets	<u><u>\$ 3,349,688</u></u>	<u><u>\$ 3,362,630</u></u>

The accompanying notes are an integral part of these financial statements.

VOLUNTEERS OF AMERICA - UTAH
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006
(with comparative summarized information for 2005)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2006 Totals</u>	<u>2005 Totals</u>
Revenues from Operations				
Public Support Received Directly:				
Contributions	\$ 698,199	\$ 91,825	\$ 790,024	\$ 793,889
In-kind contributions	632,578	-	632,578	414,818
Public Support Received Indirectly:				
United Way	119,441	-	119,441	119,906
Total Public Support	<u>1,450,218</u>	<u>91,825</u>	<u>1,542,043</u>	<u>1,328,613</u>
Revenue and Grants from Governmental Agencies	<u>2,937,077</u>	<u>34,751</u>	<u>2,971,828</u>	<u>3,080,564</u>
Other Revenue:				
Program service fees	7,184	-	7,184	40,449
Miscellaneous income	36,538	-	36,538	8,399
Gain on debt forgiveness (Note 7)	26,686	-	26,686	26,686
Gain on sale of assets	1,000	-	1,000	-
Interest income	13,891	-	13,891	7,722
Total Other Revenue	<u>85,299</u>	<u>-</u>	<u>85,299</u>	<u>83,256</u>
Net assets released from restriction	<u>328,630</u>	<u>(328,630)</u>	<u>-</u>	<u>-</u>
Total Revenues from Operations	<u>4,801,224</u>	<u>(202,054)</u>	<u>4,599,170</u>	<u>4,492,433</u>
Operating Expenses				
Program Services:				
Homeless services	889,071	-	889,071	756,796
Substance abuse	1,937,379	-	1,937,379	1,861,966
Housing	162,595	-	162,595	187,020
Community enhancement	693,868	-	693,868	518,148
Total Program Services	<u>3,682,913</u>	<u>-</u>	<u>3,682,913</u>	<u>3,323,930</u>
Supporting Services:				
Management and general	476,294	-	476,294	512,187
Fund raising	322,427	-	322,427	416,975
Total Supporting Services	<u>798,721</u>	<u>-</u>	<u>798,721</u>	<u>929,162</u>
Total Operating Expenses	<u>4,481,634</u>	<u>-</u>	<u>4,481,634</u>	<u>4,253,092</u>
Change in Net Assets	319,590	(202,054)	117,536	239,341
Net Assets at Beginning of Year	<u>2,292,537</u>	<u>328,630</u>	<u>2,621,167</u>	<u>2,381,826</u>
Net Assets at End of Year	<u>\$ 2,612,127</u>	<u>\$ 126,576</u>	<u>\$ 2,738,703</u>	<u>\$ 2,621,167</u>

The accompanying notes are an integral part of these financial statements.

VOLUNTEERS OF AMERICA - UTAH
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2006
(with comparative summarized information for 2005)

	PROGRAM SERVICES				SUPPORTING SERVICES				TOTAL EXPENSE	
	Homeless Services	Substance Abuse	Housing	Community Enhancement	Total	Management and General	Fund Raising	Total	2006	2005
Salaries	\$ 416,223	\$ 1,018,405	\$ 94,900	\$ 165,961	\$ 1,695,489	\$ 240,733	\$ 101,353	\$ 342,086	\$ 2,037,575	\$ 2,028,022
Pension expense	3,508	14,340	1,940	3,975	23,763	9,603	3,322	12,925	36,688	36,233
Other employee benefits	39,146	101,433	3,848	11,959	156,386	3,346	6,284	9,630	166,016	156,115
Payroll taxes	30,150	75,024	7,190	11,912	124,276	11,127	6,534	17,661	141,937	141,025
Legal fees	290	1,908	322	-	2,520	1,329	-	1,329	3,849	6,310
Accounting fees	-	-	-	-	-	19,612	-	19,612	19,612	17,381
Other professional fees	111,749	88,891	2,298	13,205	216,143	10,317	10,842	21,159	237,302	202,157
Supplies and expenses	61,296	277,109	10,821	17,491	366,717	13,303	148,304	161,607	528,324	480,759
Telephone	18,027	16,241	1,473	10,703	46,444	4,309	22,320	26,629	73,073	62,988
Postage	225	542	14	1,000	1,781	2,130	1,749	3,879	5,660	5,335
Occupancy expenses	60,301	130,128	23,318	15,129	228,876	54,737	1,130	55,867	284,743	266,211
Interest	40	8,963	-	-	9,003	165	-	165	9,168	10,452
Equipment rental and maintenance	4,810	21,281	1,729	-	27,820	5,968	-	5,968	33,788	29,883
Printing and publications	700	9,496	610	864	11,670	4,348	9,836	14,184	25,854	20,750
Travel	1,675	1,542	701	11,017	14,935	807	862	1,669	16,604	18,799
Conferences and meetings	5,850	3,868	432	5,260	15,410	8,511	5,173	13,684	29,094	45,635
Direct client expenses	84,950	59,832	11,948	417,775	574,505	820	-	820	575,325	434,602
Other expenses	706	741	52	352	1,851	3,056	75	3,131	4,982	10,696
Depreciation and amortization	49,425	107,635	999	7,265	165,324	14,800	4,643	19,443	184,767	183,494
Administrative fees paid to National Organization	-	-	-	-	-	67,273	-	67,273	67,273	96,245
Total Functional Expenses	\$ 889,071	\$ 1,937,379	\$ 162,595	\$ 693,868	\$ 3,682,913	\$ 476,294	\$ 322,427	\$ 798,721	\$ 4,481,634	\$ 4,253,092

The accompanying notes are an integral part of these financial statements.

VOLUNTEERS OF AMERICA - UTAH
STATEMENTS OF CASH FLOWS

	For the Years Ended June 30,	
	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 117,536	\$ 239,341
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	184,767	183,494
Gain on sale of assets	(1,000)	-
Unrealized gain on endowment investments	(3,381)	(2,395)
Gain on debt forgiveness	(26,686)	(26,686)
Changes in assets and liabilities:		
(Increase) decrease in unconditional promises to give	(818)	71,427
(Increase) decrease in grants receivable	21,377	(52,403)
Increase in other receivables	(12,107)	(16,430)
(Increase) decrease in inventory	(5,235)	2,021
Increase in prepaid expenses	(6,428)	(3,534)
Decrease in deposits	-	1,086
Increase (decrease) in accounts payable and accrued expenses	(9,909)	52,188
Increase (decrease) in accounts payable, related party	(31,600)	43,544
Decrease in deferred revenue	(53,870)	(71,427)
Net Cash Provided by Operating Activities	<u>172,646</u>	<u>420,226</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of assets	1,000	-
Purchases of land, buildings and improvements	(37,613)	(140,989)
Purchases of furnishings and equipment	(92,975)	(87,255)
Net Cash Used by Investing Activities	<u>(129,588)</u>	<u>(228,244)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Change in line of credit	(2,725)	717
Payments on notes payable	(5,688)	(6,162)
Net Cash Used by Financing Activities	<u>(8,413)</u>	<u>(5,445)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	34,645	186,537
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>636,521</u>	<u>449,984</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 671,166</u>	<u>\$ 636,521</u>

The accompanying notes are an integral part of these financial statements.

VOLUNTEERS OF AMERICA - UTAH
STATEMENTS OF CASH FLOWS (Continued)

For the Years Ended June 30,	
<u>2006</u>	<u>2005</u>

SUPPLEMENTAL CASH FLOW INFORMATION

Cash Payments For:

Interest	\$	253	\$	661
Income taxes	\$	-	\$	-

The accompanying notes are an integral part of these financial statements.

VOLUNTEERS OF AMERICA – UTAH

Notes to the Financial Statements

June 30, 2006 and 2005

NOTE 1 - ORGANIZATION

Volunteers of America, Utah (the agency) is a nonprofit spiritually based human services organization, incorporated in the State of Utah that provides social services within the State of Utah under a charter from Volunteers of America, Inc., a national nonprofit spiritually based organization providing local human service programs, and opportunities for individual and community involvement. Volunteers of America, Utah operates social service programs within the counties of Salt Lake, Davis, Tooele, Carbon, Grand, San Juan, and Emery in the State of Utah. Following are descriptions of these programs:

Alcohol/Drug Detoxification Program

The Agency, under contract with the Salt Lake County Division of Substance Abuse, provides a 56 bed adult social model detox program where clients can safely detox from alcohol and drugs. While in the Center, the clients receive room and board, attend daily meetings, participate in case management, and obtain assessments for referrals to treatment programs including the Day Treatment Program operated by the Agency. The Department of Housing and Urban Development funds a program within the facility which supports transitional housing and case management for chronically homeless substance abusers.

Center for Women and Children

The Agency, under contract with the U.S. Department of Housing and Urban Development, the Salt Lake County Division of Substance Abuse, the State of Utah Homeless Trust Fund and funding from United Way and private donations, assists homeless substance abusing women to begin the process of recovery and break the cycle of substance abuse and homelessness. This program is unique in the State of Utah because it allows the women's children to also be admitted into the center. While in the Center, the clients receive room and board, attend daily meetings, participate in case management, and obtain assessments for referrals to treatment programs including the Day Treatment Program operated by the Agency.

Substance Abuse Day Treatment Program

The Agency, under contract with the Salt Lake County Division of Substance Abuse, with funding from United Way and private donations, operates a twenty hour a week outpatient substance abuse treatment program. Clients may be referred from both detoxification centers. The program seeks to have participants maintain sobriety, reduce illegal activities, and increase involvement with family and community.

Housing Program

The Agency, under contract with the Salt Lake County Division of Substance Abuse, the Housing Authority of Salt Lake City, the State of Utah Homeless Trust Fund, with funding from United Way and private donations, provides housing case management to formerly homeless clients. Housing case managers assist clients in addressing issues related to running a household, life skills, education, work, mental health, substance abuse relapse prevention, and assist participants to transition into permanent housing.

Homeless Youth Street Outreach Program

The Agency, under contract with the U.S. Department of Health and Human Services provides street outreach services to homeless youth. The outreach team seeks out homeless youth and provides them with basic needs items as well as offers case management, referrals to community services and invites the youth to the Drop In Center.

VOLUNTEERS OF AMERICA – UTAH

Notes to the Financial Statements

June 30, 2006 and 2005

NOTE 1 – ORGANIZATION (continued)

Homeless Youth Drop In Center

The Agency, under contract with the U.S. Department of Housing and Urban Development and the State of Utah Homeless Trust Fund with funding from United Way and private donations, operates a Drop In Center for homeless youth aged 16-21 where youth are offered meals, clothing, showers, laundry facilities, and a safe place. Counseling, GED classes, life skills training, and case management are also available to provide support to the youth.

Homeless Youth Transition Home

The Agency, under contract with the U.S. Department of Health and Human Services, the State of Utah Homeless Trust Fund, with funding from United Way and private donations, operates a seven bed, 18 month, youth development program for homeless females. The program provides housing and case management designed to support and guide the youth toward independent living.

Homeless Outreach Program

The Agency, under contract with the U.S. Department of Housing and Urban Development and the State of Utah Homeless Trust Fund with funding from United Way and private donations, provides mobile outreach services to homeless individuals and families. The outreach team provides basic needs items and maintain consistent contact with clients. Participants are encouraged to accept referrals to needed medical, mental health and / or substance abuse services and accept transportation assistance to obtain these human services. The Pathways pilot project provides "housing first" for 17 chronically homeless individuals which the agency participated in this year by providing case management and clinical support. This program is funded by the State of Utah Homeless Trust Fund.

Retired and Senior Volunteer Program

The Agency, under contract with the Corporation for National Services operates this federal program which helps individuals age 55 and older put their skills to work in their communities. The program operates in Davis, Tooele, and Emery counties, utilizing volunteers to work in a variety of settings including schools, hospitals, museums, and senior centers.

Community Enhancement Services

Scholastic Books, Inc. a partner of Volunteers of America, Inc. donates excess Scholastic Books to Volunteers of America affiliates across the country. Volunteers of America, Utah distributed over 50,000 books to at-risk children across Utah during this past fiscal year. United Way partnered with Volunteers of America, Utah during Christmas season 2005 to coordinate Sub for Santa services to over 3,300 needy children. I Remember Mama is a unique formal dinner celebrated in conjunction with Mother's Day to acknowledge and honor over 250 homeless and low-income women who have made the choice to break the cycle of substance abuse and homelessness. American Express provided funds to Volunteers of America, Utah to provide supervisory training to approximately 80 employees of area non-profits.

VOLUNTEERS OF AMERICA – UTAH

Notes to the Financial Statements

June 30, 2006 and 2005

NOTE 1 – ORGANIZATION (continued)

Foster Grandparent Program

The Agency, under contract with the Corporation for National Services operates this federal program which engages limited income persons age 60 and older, in service to meet critical community needs. Foster Grandparents serve as mentors, tutors, and caregivers to at-risk children and youth through a variety of community organizations including schools and Head Start facilities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Agency conform to generally accepted accounting principles as applicable to voluntary health and welfare organizations. The more significant accounting policies of the Agency are described below:

Basis of Accounting

The Agency prepares its financial statements on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recognized when incurred.

Federal Income Taxes

Volunteers of America - Utah is exempt from Federal income taxes as a subordinate unit of Volunteers of America, Inc. Volunteers of America, Inc. is exempt from Federal income taxes under Section 501(a) of the Internal Revenue Code as a religious organization described in Section 501(c)(3).

Reclassifications

Certain amounts for the year ended June 30, 2005 have been reclassified to conform with the presentation of the June 30, 2006 amounts.

Cash and Cash Equivalents

Volunteers of America - Utah considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The carrying amount approximates fair value because of the short maturity of those instruments.

At June 30, 2006 and 2005, the Agency had balances of \$126,576 and \$328,630, respectively, for the temporarily restricted net assets. In addition, the Agency had balances of \$15,570 and \$47,170 at June 30, 2006 and 2005, respectively, which they had collected on behalf of Volunteers of America, Inc. (see Note 6). As a result, the cash and cash equivalents is temporarily restricted for both of these amounts until used for their specific purposes or paid back to Volunteers of America, Inc.

Contributed Noncash Assets and Services

Contributions of donated noncash assets are recorded at their fair values in the period received. The Agency recognizes contribution revenue for certain services received at the fair value of those services provided those services create or enhance nonfinancial assets or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

VOLUNTEERS OF AMERICA – UTAH

Notes to the Financial Statements

June 30, 2006 and 2005

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

Inventory is carried at cost (first-in, first-out basis) which approximates market value. Inventory consists mainly of food and maintenance supplies.

Contributions

Contributions are generally recorded only upon receipt, unless evidence or an unconditional promise to give has been received. Unconditional promises to give (see Note 3) that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. Conditional promises to give are not included as support until such time as the conditions are substantially met. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

Summary Financial Information for 2005

The financial statements include certain prior-year summarized comparative information in total but not by net class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Agency's financial statements for the year ended June 30, 2005, from which the summarized information was derived.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Credit Risks – Uninsured Cash Balances

The Agency maintains its cash balances in various bank accounts at two separate banks. Cash accounts at banks are insured by the Federal Deposit Insurance Corp. (FDIC) for up to \$100,000. Amounts in excess of insured limits, net of outstanding checks, were approximately \$394,387 and \$319,794 at June 30, 2006 and 2005, respectively.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment

Land, buildings and equipment purchased by the Agency are recorded at cost. The Agency follows the practice of capitalizing all expenditures for land, buildings and equipment in excess of \$500; the fair value of donated fixed assets is similarly capitalized. Depreciation is provided on the straight-line method based upon the estimated useful lives of the assets as follows: buildings and improvements (5–20 years) and furnishings and equipment (3–10 years).

VOLUNTEERS OF AMERICA – UTAH

Notes to the Financial Statements

June 30, 2006 and 2005

NOTE 3 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at June 30, 2006 are as follows:

Receivable in less than one year	\$ 44,222
Less: allowance for uncollectible pledges on current portion	<u>(14,135)</u>

Unconditional promises to give net of allowance, current portion	<u>\$ 30,087</u>
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Receivable in one to five years	\$ 37,870
Less: discounts to net present value	(1,704)
Less: allowance for uncollectible pledges on long-term portion	<u>(11,565)</u>

Unconditional promises to give, net - long-term portion	<u>\$ 24,601</u>
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Discount rates used on long-term promises averaged 4.5% and were based on the remaining length of the promise.

NOTE 4 - GRANTS RECEIVABLE

Grants receivable are deemed to be fully collectable by management and are composed of the following amounts due at June 30, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Salt Lake County Division of Substance Abuse	\$ 96,580	\$ 169,112
Salt Lake County CDBG	20,784	3,851
Salt Lake City Housing Authority	4,269	2,822
Corporation for National Services	44,946	113,893
Salt Lake City Corporation CDBG	4,984	-
U.S. Department of Health and Human Services	83,333	64,639
State of Utah	-	16,500
Veterans Administration	2,520	715
Salt Lake County Division of Social Services	4,583	3,361
Utah Department of Health	-	5,449
FEMA	7,500	-
Homeless Trust Fund	98,000	-
U.S. Department of Housing and Urban Development	<u>36,253</u>	<u>44,787</u>
Total Grants Receivable	<u>\$ 403,752</u>	<u>\$ 425,129</u>

VOLUNTEERS OF AMERICA – UTAH

Notes to the Financial Statements

June 30, 2006 and 2005

NOTE 5 – ENDOWMENT INVESTMENTS

In October 2003, the Agency entered into a National Pooled Investment Agreement (the "Agreement") with Volunteers of America, Inc. (the Agency's National Office). The Agreement allows the Agency to participate in a managed investment program through investment pools. Deposits of a minimum of \$1,000 may be made at any time. During the years ended June 30, 2006 and 2005, the investments increased in value by \$3,381 and \$2,395, respectively. Endowment investments as of June 30, 2006 are summarized as follows:

	<u>Original Cost</u>	<u>Increase in Value</u>	<u>Carrying Value</u>
Unrestricted:			
Pooled Mutual Funds	<u>\$ 31,238</u>	<u>\$ 8,948</u>	<u>\$ 40,186</u>

NOTE 6 - RELATED PARTY TRANSACTIONS

Volunteers of America - Utah is affiliated with Volunteers of America, Inc., which provides administrative services to the Agency for a fee. Administrative fees for the fiscal years ended June 30, 2006 and 2005 totaled \$67,273 and \$96,245, respectively. As explained in Note 3, the Agency has loans due to Volunteers of America, Inc. as of June 30, 2006 and 2005 totaling \$177,181 and \$194,076, respectively. The Agency also owed Volunteers of America, Inc. administrative fees and deposits totaling \$1,474 and \$7,166 as of June 30, 2006 and 2005, respectively, which have been included in the payables to a related party balance in the statement of financial position.

During the fiscal year ended June 30, 2003, Volunteers of America, Inc. started operating the donated car program for the Agency. As a result of running the program, the Agency owed Volunteers of America, Inc. \$15,570 and \$47,170 as of June 30, 2006 and 2005, respectively. These unpaid amounts are included in the payables to a related party balance in the statement of financial position. The Agency is also owed funds from the National Office in the amount of \$4,202 and \$9,993 as of June 30, 2006 and 2005, respectively, related to the car donation program. The receivable amounts are included in the other receivable balances in the statement of financial position.

VOLUNTEERS OF AMERICA – UTAH

Notes to the Financial Statements

June 30, 2006 and 2005

NOTE 7 - NOTES PAYABLE

Notes payable consisted of the following at June 30, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Note payable to Volunteers of America, Inc. (see Note 6), non interest bearing, balance due June 30, 2007.	\$ 6,155	\$ 6,155
Note payable to Volunteers of America, Inc. (see Note 6), interest at 5.21% per annum, principal and interest payments of \$26,686 due annually beginning October 1, 2004, matures on October 1, 2013, secured by land and building. Annual payments will be forgiven on an annual basis if certain ratios and financial requirements are met.	171,026	187,921
Line of credit with a bank, maximum available amount of \$200,000, interest at the bank's prime rate, secured by fixed assets, line was renewed on July 15, 2005 and is available for a period of one year.	-	2,726
Note payable to the State of Utah, non interest bearing, payments of \$474 due monthly, balance due June 1, 2029, secured by a trust deed.	<u>131,079</u>	<u>136,767</u>
Totals	308,260	333,569
Less: current portion	<u>(29,619)</u>	<u>(25,309)</u>
Total Long-Term Notes Payable	<u>\$ 278,641</u>	<u>\$ 308,260</u>

Principal maturities are as follows:

<u>June 30,</u>	
2007	\$ 29,619
2008	24,390
2009	25,365
2010	26,390
2011	27,468
Thereafter	<u>175,028</u>
	<u>\$ 308,260</u>

Volunteers of America, Inc. forgave the principal and interest payments due October 1, 2004 and 2005 of \$26,686, respectively, based on the Agency meeting certain ratios and financial requirements during the years ended June 30, 2005 and 2006, respectively.

VOLUNTEERS OF AMERICA – UTAH

Notes to the Financial Statements

June 30, 2006 and 2005

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2006</u>	<u>2005</u>
Program or Support Service:		
Housing	\$ -	\$ 22,637
Homeless Services	34,751	60,408
Substance Abuse	30,359	245,585
Community Enhancement	1,608	-
Administrative	<u>59,858</u>	<u>-</u>
 Total temporarily restricted net assets	 <u>\$ 126,576</u>	 <u>\$ 328,630</u>

Net assets totaling \$328,630 and \$42,400 were released from donor restrictions by incurring expenses or capital purchases satisfying the purpose of the related program or support service during the years ended June 30, 2006 and 2005, respectively.

NOTE 9 – OPERATING LEASES

The Agency is obligated under six operating leases as described as follows:

Equipment Leases

Effective July 14, 2005, the Agency entered into operating leases for copiers. The lease terms are for thirty-nine (39) months and require monthly payments of \$1,053. The future minimum lease payments under the leases are as follows:

<u>June 30,</u>	<u>Amount</u>
2007	\$ 12,636
2008	12,636
2009	<u>3,159</u>
	<u>\$ 28,431</u>

Administrative Office

Effective November 1, 2005, the Agency renewed the lease for its office space and entered into a month-to-month lease for \$2,537 per month. Rental expense under the current and former lease on its office space totaled \$29,916 for the fiscal year ended June 30, 2006.

VOLUNTEERS OF AMERICA – UTAH

Notes to the Financial Statements

June 30, 2006 and 2005

NOTE 9 – OPERATING LEASES (Continued)**Homeless Youth Drop-In Center**

Effective January 1, 2005, the Agency renewed the lease for its Homeless Youth Drop-In Center and entered into a new five-year non-cancelable operating lease. Monthly lease payments are currently \$993 per month and increase by approximately 6% on each anniversary date of the lease. Rental expense under this operating lease totaled \$11,578 for the fiscal year ended June 30, 2006. The future minimum rent expense under the lease is as follows:

<u>June 30,</u>	<u>Amount</u>
2007	\$ 12,273
2008	13,009
2009	13,790
2010	7,096
	<u>\$ 46,168</u>

Homeless Youth Drop-In Center #2

Effective March 31, 2006, the Agency entered into a new forty-six (46) month non-cancelable operating lease for additional space at its Homeless Youth Drop-In Center. Monthly lease payments are currently \$800 per month and increase by approximately 6% on each anniversary date of the lease. Rental expense under this operating lease totaled \$2,000 for the fiscal year ended June 30, 2006. The future minimum rent expense under the lease is as follows:

<u>June 30,</u>	<u>Amount</u>
2007	\$ 9,888
2008	10,481
2009	11,110
2010	5,717
	<u>\$ 37,196</u>

Day Treatment Services

Effective August 1, 2005, the Agency renewed the office space lease for its Day Treatment and Housing Programs and entered into a new three-year non-cancelable operating lease. Monthly lease payments are currently \$4,348 per month on the new lease and increase by approximately 3% on each anniversary date of the lease. Rental expense under this operating lease totaled \$52,051 for the fiscal year ended June 30, 2006. The future minimum rent expense under the lease is as follows:

<u>June 30,</u>	<u>Amount</u>
2007	\$ 53,613
2008	55,221
2009	4,613
	<u>\$ 113,447</u>

VOLUNTEERS OF AMERICA – UTAH

Notes to the Financial Statements

June 30, 2006 and 2005

NOTE 9 – OPERATING LEASES (Continued)

Homeless Outreach Program

On July 21, 2003, the Agency entered into a three-year non-cancelable operating lease on office space for its Homeless Outreach Program. The lease commenced on July 21, 2003 and ends on July 31, 2006. Monthly payments are currently \$874. Rental expense under this operating lease totaled \$9,600 for the fiscal year ended June 30, 2006. The future minimum rent expense under the lease is as follows:

<u>June 30,</u>	<u>Amount</u>
2007	<u>\$ 874</u>

Retired and Senior Volunteer Program

Effective July 1, 2004, the Agency entered into two separate three-year non-cancelable operating leases on office space located in Clearfield and Tooele for its Retired and Senior Volunteer Program. Both leases end on June 30, 2007. Combined monthly payments are currently \$714. Rental expense under this operating lease totaled \$8,568 for the fiscal year ended June 30, 2006. The future minimum rent expense under these leases is as follows:

<u>June 30,</u>	<u>Amount</u>
2007	<u>\$ 8,568</u>

NOTE 10 - PENSION PLAN

The Agency participates in a non-contributory defined benefit pension and retirement plan. The plan is administered through a commercial insurance company and covers all commissioned ministers. Pension plan expense was \$8,716 and \$8,573 for the years ended June 30, 2006 and 2005, respectively. Because the plan is a multi-employer plan, the accumulated benefits and net assets available for benefits as they relate solely to the Agency are not readily available.

The Agency maintains another retirement plan for its employees. The plan is a 403-B defined contribution plan, into which the Agency contributes 4% of eligible employee's wages and salaries during the year for those participants who contribute a minimum of 1% of eligible earnings. Employees are eligible to participate in this plan after one year of service. The related pension expense for June 30, 2006 and 2005 for this plan was \$27,972 and \$27,660, respectively. Employees are also able to make elective contributions to this plan subject to the same annual limitation rules governing 401-K plans. The related contributions by employees for the year ended June 30, 2006 and 2005 was \$42,396 and \$39,106, respectively.

VOLUNTEERS OF AMERICA - UTAH
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

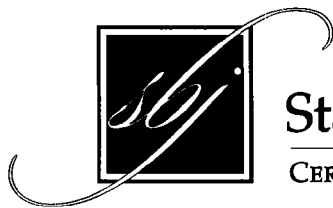
Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Award Expended
Department of Health and Human Services			
Pass-through from Utah State			
Department of Social Services and Salt			
Lake County Division of Substance Abuse			
ADM Block Grant Substance			
Abuse Treatment			
Social Detoxification	93.959	AL05522C	\$ 868,415 *
Transitional Living Program for Runaway and Homeless Youth	93.550	08CX000803	200,000
Street Outreach Program for Runaway and Homeless Youth	93.550	08YO0010	<u>83,845</u>
Total U.S. Department of Health and Human Services			<u>1,152,260</u>
Department of Housing and Urban Development			
Supportive Housing Program	14.235	UT01B400006	88,962 *
Supportive Housing Program	14.235	UT01B200004	113,547 *
Supportive Housing Program	14.235	UT01B100004	40,332 *
Supportive Housing Program	14.235	UT01B400003	116,730 *
Supportive Housing Program	14.235	UT01B400007	99,750 *
Pass-through from Salt Lake County			
Community Development Block Grant	14.218		24,519
Pass-through from Salt Lake City			
Community Development Block Grant	14.218		17,630
Pass-through from Housing Authority of SLC			
Transitional Housing Component of the Supportive Housing Demonstration Program Grant	14.235		<u>22,310</u>
Total U.S. Department of Housing and Urban Development			<u>523,780</u>
Corporation for National and Community Service			
Retired Senior Volunteer Program	94.002	03SRPUT002	101,703
Retired Senior Volunteer Program	94.002	05SRPUT004	42,704
Foster Grandparent Program	94.011	03SFPUT002	<u>147,826</u>
Total Corporation for National and Community Service			<u>292,233</u>
Department of Veteran Affairs			
Patient Detoxification Services Contract	64.019	V66OP-4914	8,592
Pass-through from SLC Housing Authority			
VA Homeless Providers Grant - Valor House	64.024		<u>25,868</u>
Total Department of Veteran Affairs			<u>34,460</u>
Federal Emergency Management Agency			
Emergency Food and Shelter National Board Program	97.024		<u>22,108</u>
Totals			<u>\$ 2,024,841</u>

* Denotes a major program.

VOLUNTEERS OF AMERICA – UTAH
Note to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

ITEM 1 - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.



Stayner Bates & Jensen P.C.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Volunteers of America – Utah
Salt Lake City, Utah

We have audited the financial statements of Volunteers of America - Utah (a nonprofit organization) as of and for the year ended June 30, 2006, and have issued our report thereon dated September 22, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Volunteers of America - Utah's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

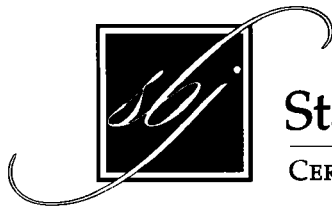
Internal Control Over Financial Reporting

In planning and performing our audit, we considered Volunteers of America - Utah's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Stayner, Bates & Jensen, P.C.

Stayner, Bates & Jensen, P.C.
Salt Lake City, Utah
September 22, 2006



Stayner Bates & Jensen P.C.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Volunteers of America – Utah
Salt Lake City, Utah

Compliance

We have audited the compliance of Volunteers of America - Utah (a nonprofit organization) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. Volunteers of America - Utah's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Volunteers of America - Utah's management. Our responsibility is to express an opinion on Volunteers of America - Utah's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Volunteers of America - Utah's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Volunteers of America - Utah's compliance with those requirements.

In our opinion, Volunteers of America - Utah complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Volunteers of America - Utah is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Volunteers of America - Utah's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Stayner, Bates & Jensen, P.C.

Stayner, Bates & Jensen, P.C.
Salt Lake City, Utah
September 22, 2006



Stayner Bates & Jensen P.C.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITORS' REPORT ON STATE LEGAL COMPLIANCE

Board of Directors
Volunteers of America – Utah
Salt Lake City, Utah

We have audited the financial statements of Volunteers of America - Utah, a nonprofit corporation, for the year ended June 30, 2006 and have issued our report thereon dated September 22, 2006. As part of our audit, we have audited Volunteers of America - Utah's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance program as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. Volunteers of America - Utah received the following major assistance program from the State of Utah:

Alcohol and Substance Abuse Treatment/Prevention Program (Utah State Department of Social Services, Division of Substance Abuse).

The management of Volunteers of America - Utah is responsible for its compliance with the compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about Volunteers of America - Utah's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, Volunteers of America - Utah complied, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance program for the year ended June 30, 2006.

Stayner, Bates & Jensen, P.C.

Stayner, Bates & Jensen, P.C.
Salt Lake City, Utah
September 22, 2006

VOLUNTEERS OF AMERICA – UTAH
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2006

A. Summary of Audit Results

1. Our report on the financial statements of Volunteers of America - Utah expresses an unqualified opinion.
2. No reportable conditions relating to the audit of the financial statements are reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Volunteers of America - Utah were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Volunteers of America - Utah expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for Volunteers of America - Utah as required to be reported under OMB Circular A-133, Section 510(a).
7. The programs tested as major programs included:

<u>Name</u>	<u>CFDA#</u>
US Dept. of Health and Human Services	93.959
US Dept. of Housing and Urban Development	14.235

8. The threshold for distinguishing Type A and Type B programs was \$ 300,000.
9. Volunteers of America - Utah was determined to be a low-risk auditee under OMB Circular A-133 standards.

B. Findings Related to Our Audit of the Financial Statements

No reportable conditions relating to the audit of the financial statements.

C. Findings and Questioned Costs Related to our Audit of the Major Federal Awards

No reportable conditions were disclosed during the audit of the major federal award programs.

VOLUNTEERS OF AMERICA – UTAH
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2006

There were no prior audit findings relative to federal award programs.